Inspection of Foreign Banks

145. SHRI SUNIL BASU RAY : Will the Minister of FINANCE be pleased to state :

(a) whether the RBI ever ordered an inspection of foreign banks like Citi Bank and Bank of America so far as vostro accounts are concerned; and

(b) if so, since when and with what results ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) Reserve Bank of India have reported that they had carried out preliminary scrutiny at Citi Bank, Bombay and Bank of America, Bombay in December 1992. Sample check of transactions in some Vostro accounts of these two banks did not reveal any irregularities.

Liberal Bank credit policy

146. SHRI RAMDAS AGARWAL : Will the Minister of FINANCE be pleased to state : (a) whether Government have decided for more liberal and fund abundant bank credit policy during the first half of the fiscal year 1993-94 for faster growth of economy as reported in the Hindustan Times dated the 8th April, 1993;

(b) if so, what are the changes so far made in the (i) export credit refinance formula (ii) general line of credit of NABARD (iii) norms for operation of foreign banks so that they should not have advantage over the Indian Banks and (iv) rationalising of lending rates of scheduled Banks etc.; and

(c) whether the monetary and credit policy annuonced recently would reduce (i) the inflation rate (ii) stimulate industrial growth particularly of small scale sector and (iii) accelerate agricultural growth etc., if so, to what extent during 1993-94 slack season ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) Yes, Sir. Reserve Bank of India (RBI) has set out measures which would be incorporated in the monetary policy for the first half of 1993-94.

(b) The changes made in respect of items mentioned are indicated in the Annexure. (*See* below).

(c) The recent policy measures announced by RBI arm at further reducing the inflation rate while providing a stimulus to industrial recovery including the small scale sector and growth of agriculture through adequate credit availability. It is not possible to assess the impact of the above measures at this stage.

Statement

(I) *Export Credit (Rupee) Refinance and Refinance against Post-Shipment Export Credit denominated in US Dollers.*

From the fortnight beginning from May 15, 1993, scheduled commercial banks would be provided :—

(i) Export Credit (rupee) refinance to the extent of 60 per cent of the increase in outstanding export credit over the monthly average level of 1988-89 upto the monthly average level of 1989-90 plus 100 per cent of the increase over the monthly average level of outstanding export credit in 1989-90, as against 110 per cent hitherto.

(ii) Under the refinance facility against Post-Shipment Export Credit Denominated in US Dollers, banks would be eligible for export credit refinance limits equivalent to 100 per cent of such outstanding credit provided by banks as against 120 per cent hitherto.

(II) *General Line of Credit to NABARD*

The limits under the General Line of Credit I (GLC I) provided by the Reserve Bank of India to NABARD for short-term seasonal agricultural operations was enhaneed in January 1993 from Rs. 2,700 crores to Rs. 3,100 crores. It has been decided to further enhance the limits under GLC (I) by Rs. 200 crore from Rs. 3,100 crore to Rs. 3,300 crore.

(III) *Priority Sector Advances by Foreign Banks* :

In August 1988, foreign banks operating in India were advised to progressively increase their advances to the priority sector categories of borrowers and such advances were to reach a level of 15 per cent of their net total outstanding advances by the end of March 1992. As against this stipulated target, foreign banks as a whole attained a ratio of only 7.86 per cent by the end of March 1992 and as such there has been a substantial shortfall. The shortfall in this target should be rectified by foreign banks by the end of June 1993 failing which, the foreign banks would be required to deposit at a rate of interest of 10 per cent per annum the amount equivalent to the shortfall in the target, as determined by the Reserve Bank, with the Small Industries Development Bank of India (SIDBI).

It is necessary that both Indian and Foreign banks should be subject to the same stipulations on credit to the priority sector. However, considering that foreign banks do not have a rural branch network, it has also been decided to enlarge the definition of priority sector lending by foreign banks so as to include export finance in the target and accordingly, from July 1, 1993, the existing priority sector advances and export credit extended by these banks would be combined. Furthermore, an overall priority sector target of 32 per cent of net bank credit is being stipulated for foreign banks. Under the enlarged target for priority sector advances, foreign banks should reach the target of 32 per cent of net bank credit by the end of March, 1994. Under the overall target for priority sector lending advances to the SSI Sector should be not less than 10 per cent of net bank credit and export credit not less than 10 per cent of net bank credit. Shortfalls if any at the end of March 1994, will be required to be placed as a deposit with SIDBI at a rate of interest of 10 per cent per annum.

(IV) *Lending Rates of Scheduled Commercial Banks*

With a view to rationalising lending rates of scheduled commercial banks, it has been decided to reduce the existing four categories of lending rates to three categories according to size of the credit limit by merging the first two slabs in the existing structure. Accordingly, effective April 8, 1993, the first stab would be upto and inclusive of Rs. 25,000 and the rate of interest would be 12.0 per cent per annum.

The revised Interest Rates structure is as under :—

Size of Credit Limit	Existing Rates	New Rates (Effective April 8, 1993)
	(Per cent per annum)	
1. Upto and inclusive of Rs. 2,500/-	11·5	12·0
2. Over Rs 7,500/- and upto Rs. 25,000/-	13·5	
3. Over Rs. 25,000/- and upto Rs. 2 lakh	16·5	16·5
4. Over Rs. 2 lakh	17·0 (minimum)	17.0 (minimum)

Bank Credit Locked up in non-SSI sick Units

147. DR. BAPU KALDATE : Will the Minister of FINANCE be pleased to state :

(a) what is the total number of non-SSI sick units in the country identified by Government;

(b) what percentage of the total bank credits locked up in the sick units is accounted for the non-SSI sick/weak units (till date) as against the public sector sick units;

(c) what are the main reasons for sickness in the non-SSI units; and

(d) the manner in which Government propose to move in the matter ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) The Reserve Bank of India (RBI) have reported that there were 1461 non-SSI sick units and 876 Non-SSI weak units in the country as at the end of March, 1991. Of the Non-SSI sick units 81,342 and 111 were in Cooperative Sector, Private Sector and Joint Sector respectively with outstanding bank credits of Rs. 7.66 crores, Rs. 4,690.35 crores and Rs. 407.56 crores respectively which works out to 0.2%, 91.9% and 7.9% of the outstanding bank credit. Of the Non-SSI weak units, 279,554 and 43 were in Public Sector, Private Sector and Joint/Cooperative Sector respectively with outstanding bank credits of Rs. 1616.50 crores, Rs. 1109.81 crores and Rs. 143.90 crores respectively which works out to 56.3%, 38.7% and 5% of the outstanding bank credit.

(c) The main reasons for sickness of the non-SSI units are management deficiencies, fall in demand and other reasons. The former comprises faulty technical and financial apraisal, faulty implementation and deficiencies in management in the areas of production, labour, marketing, finance and administration. Other reasons include power shortage, non-availability of raw material, financial bottleneck, changes in Government policy etc.

(d) Government has already introduced the Sick Industrial Companies (Special Provisions) Amendment Bill. 1992, inter-alia to speed up the rehabilitation process of the sick units by BIFR.

Increase in Smuggling of Naroctics

148. DR. MURLI MANOHAR JOSHI: SHRI TRILOKI NATH CHATURVEDI :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that of late the smuggling of narcotics through land and